TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 690 - SB 648

February 18, 2019

SUMMARY OF BILL: Allocates a portion of state sales and use tax revenue to a public entity designated by a county responsible for the retirement of all or a portion of the debt of a new event center. The amount apportioned shall be equal to the amount of state and local sales and use tax revenue, including any portion of local sales taxes that otherwise would be allocated for school purposes, from the sale of food and drink and other authorized goods and products sold on the premises of the event center, ticket sales, parking charges, and related services on the premises of the event center. Such tax revenues apportioned must be applied to any debt service related to the event center, and shall continue until all debt, including any refinancing debt, relating to the event center is retired. For purposes of determining the allocation amount, the event center includes the facility in which the events are held and shall include any and all ancillary facilities such as parking facilities and any lodging facilities adjacent to the facility in which events are held.

Prohibits any state tax revenue, derived from the increase in the rate of sales and use tax allocated to educational purposes pursuant to Public Chapter 529, § 9 of the Public Acts of 1992, and derived from the increase in the rate of sales and use tax from six percent to seven percent contained in Public Chapter 856, § 4 of the Public Acts of 2002, from being apportioned and distributed pursuant to this legislation.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – $94,900/Each FY21-22 through FY50-51

Forgone State Revenue - $19,000/Each FY21-22 through FY50-51

Increase Local Revenue – $113,900/Each FY21-22 through FY50-51

Other Fiscal Impact – An additional $5,500 in local government revenue will shift from school purposes to debt repayment on the event center each FY21-22 through FY50-51.

Assumptions:

- It is assumed that this new event center is a new multipurpose facility, and among its chief functions will serve as the new home to the basketball programs of Austin Peay State University. Ancillary facilities will include one medium-size hotel and one medium-size parking facility.
- This legislation does not specify whether the hotel or parking facility currently exist or will be constructed along with the event center.
- It is assumed that a medium-size hotel and medium-size parking facility will be constructed in conjunction with the event center, and that construction of the event center and its ancillary facilities is not contingent upon passage of this legislation and would take place in the absence of this legislation.
- According to the Department of Revenue, based on tax receipts of Clarksville-area businesses, one medium-size hotel generates approximately $65,710 in annual state sales tax per year and one medium-size parking facility generates approximately $9,756 in annual state sales tax. Ticket sales, concessions, and other goods, products, and services sold at the event center or in other ancillary facilities are assumed to generate $51,100 annually in state sales tax revenue.
- Total recurring state sales and use tax revenue from such facilities is estimated to be $126,566 ($65,710 + $9,756 + $51,100).
- This legislation stipulates that the 0.5 percent earmarked to education and the 1.0 percent earmarked to the state be excluded from the distribution created by this legislation.
- The recurring decrease in state sales tax revenue is estimated to be $99,445 [($126,566 / 7%) x (7% - 1.5%)].
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 4.603 percent.
- Of this $99,445, local governments are apportioned $4,577 ($99,445 x 4.603%). The use of this revenue will shift pursuant to this legislation from school purposes to debt repayment on the event center
- A net decrease in state revenue and an equivalent increase in revenue for the local public entity designated by a county responsible for the retirement of all or a portion of the debt of a new event center, of $94,868 ($99,445 - $4,577) each year the debt obligation is outstanding.
- It is assumed there would be an additional number of events held at a new event center that would not otherwise occur at any current event center. It is reasonably estimated that with a new facility, there would be a 20 percent increase in the number of applicable events.
- The additional taxable sales are estimated to be $361,617 [($126,566 / 7.0%) x 20%].
- Forgone state revenue is estimated to be $19,889 [$361,617 x (7.0% - 5.5%)] each year the debt obligation is outstanding.
- Of this $19,889, local governments would have are apportioned $915 ($19,889 x 4.603%) pursuant to the state-shared allocation.
- Therefore, total forgone state revenue, and an offsetting increase in local revenue, is estimated to be $18,974 ($19,889 - $915).

- Any additional state sales tax revenue attributable to increased taxable sales, that would be apportioned pursuant to Public Chapter 529 (Public Acts 1992) and Public Chapter 856 (Public Acts 2002), and any increase in local sales tax revenue, will be collected pursuant to current law, and not as a direct result of this legislation since the facility is assumed to be constructed in the absence of this legislation.
- The total increase in local revenue is estimated to be approximately $113,900 ($94,868 + $18,974) for each year the debt obligation is outstanding.
- The total amount of local revenue that will shift from school purposes to debt repayment on the event center is estimated to be $5,492 ($4,577 + $915) each year the debt obligation is outstanding.
- It is assumed that the construction of the new event center, hotel, and parking facility will begin soon and be completed by June 30, 2021. This redistribution of state sales tax revenue is assumed to start on July 1, 2021, or in FY21-22.
- This legislation stipulates that this reallocation of state revenue will continue until all debt, including any refinancing debt, relating to the event center is retired.
- The total construction cost of any event center and ancillary facilities, and the term for any such debt, are unknown.
- Further, it is unknown what other funds, public and private, will be available to the public entity designated by the Montgomery County Government (MCG) to pay off the debt service incurred from constructing the event center and ancillary facilities. Such amounts available, and the extent to which the MGC will utilize such funds to pay towards any such debt obligation, will determine when this reallocation of revenue will cease to continue.
- However, the term of such debt obligation is reasonably assumed to be for a 30-year period. Thus, the fiscal impacts estimated for this legislation are assumed to begin in FY21-22 and cease following the completion of FY50-51.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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